

MONTANA STATE AUDITOR

MONICA J. LINDEEN
STATE AUDITOR



COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

Advisory Memorandum

To: All Health Insurers Licensed in Montana

From: MONICA J. LINDEEN - Commissioner of Securities and Insurance
Office of the Montana State Auditor [CSI]

Date: August 21, 2009

Return of Unearned Premium (HB 544)

In 2009, the Montana Legislature passed House Bill 544. The new law requires disability (including health) insurers to refund the unearned portion of premium when an insured pays premium in advance and then subsequently cancels coverage. The law also prevents disability insurers from penalizing insureds for canceling coverage. The law does not apply to short-term disability policies with durations of six months or less.

Disability insurance is defined as "insurance of human beings: (a) against bodily injury, disablement, or death by accident or accidental means or the medical expense or indemnity involved; or (b) against disablement or medical expense or indemnity resulting from sickness." Mont. Code Ann. § 33-1-207(1)(a)-(b).

The law will be codified as Mont. Code Ann. § 33-22-123 and will read as follows:

If an insured pays a premium in advance for coverage to any disability insurer licensed in this state and the insured subsequently cancels coverage, the disability insurer shall refund the unearned portion of the premium. The disability insurer may consider premium to be earned only on a calendar month basis. The disability insurer may not charge the insured any fees or penalty for canceling the coverage. This section does not apply to a short-term disability policy that has a duration of six months or less.



The new law has an effective date of October 1, 2009. Beginning October 1, all insurers must make refunds of unearned premium in accordance with this Memorandum. All insurers with forms currently in use in Montana that indicate refunds of unearned premiums will not be made must revise those forms. Please submit those changes to the Forms Bureau as soon as possible. All policy and certificate forms issued for delivery in Montana must be approved by the CSI before use. In any event, forms must be filed at least 60 days before the date of intended use.

If you have questions about the content of this memorandum, please contact Mike Winsor, Staff Attorney at 406-444-2040 or at mwinsor@mt.gov.

Please submit any questions and revised forms to Rosann Grandy, Forms Bureau Chief, 840 Helena Avenue, Helena, MT 59601; rgrandy@mt.gov; (406) 444-2040.